

Frequently Asked Questions

Indiana's Market Stabilization Program

What is Indiana's Market Stabilization Program?

- Through the Market Stabilization Program, IHCD will offer up to \$15,000 (not to exceed 20% of purchase price) to qualified homebuyers who will purchase and/or rehabilitate a foreclosed home as their principal residence.

For what can the funds be used?

- Closing costs and down payment assistance to acquire the foreclosed home.
- Rehabilitation funds to bring the foreclosed home up to local building code.
- These funds may be used in conjunction with the IHCD First Home product, FHA, VA, USDA, or prime fixed rate product. No adjustable rate or subprime mortgage products will be allowed for the purchase of these homes.

Is this a grant or a loan?

- This is a zero-interest, non-amortizing second mortgage loan.
- The funds are not required to be repaid if the property remains the homebuyer's principal residence for at least ten years.

What is the source of funding for MSP?

- As a result of the Housing and Economic Recovery Act of 2008 (HERA), HUD created the Neighborhood Stabilization Program (NSP) to mitigate the neighborhood effects of foreclosures in areas of greatest need. HUD allocated more than \$150 million to Indiana, with \$84 million going to IHCD to distribute throughout the state.
- Utilizing \$33 million of its NSP funds, IHCD designed the Market Stabilization Program to assist income-eligible households in purchasing and rehabilitating foreclosure.
- The remaining \$51 will be awarded to communities across the state in need of comprehensive neighborhood revitalization.

Who is eligible for the program?

- Eligible Applicants are home buyers that are at or below 120% of area median income.
- Home buyers must use the home as their primary residence.
- Home buyers must complete eight hours of pre-purchase education provided by an IHCD certified counselor at no cost to the homebuyer.
- A complete list of income limitations per county is available on IHCD's website, at [MSP Stand-Alone Limits](#)

How can people get more information about the program?

- IHCD is collaborating with its single-family participating lenders, the Indiana Association of REALTORS, the Indiana Mortgage Bankers Association, HomeEC certified housing counseling agencies and other partners to provide marketing and outreach to potential eligible homebuyers for this funding.
- Specialized lender and realtor trainings are being conducted by IHCD. For example tomorrow we are hosting a group of nearly 300 lenders, realtors and housing counselors to discuss this new opportunity.
- Home buyers should use our online tool at www.IndianaHousingNow.org to determine a foreclosed property is in an eligible neighborhood.

How did you determine what neighborhoods were eligible?

- Every census block group in the state was evaluated for its qualification as a low-, moderate-, or middle-income area. That is, a census block group was considered an eligible area if more than 51 percent of the people in the area had incomes less than or equal to 120 percent of Area Median Income in 2000.
- Block groups that scored in the top 50 percent for at least four of the six following measures were selected as areas of greatest need.

Calculating the six measures:

- Areas with an estimated foreclosure risk score (computed by HUD) greater than six (out of ten) were determined as being in need;
- Areas with an 18-month underlying problem foreclosure rate (predicted by HUD) were determined as being in need;
- Areas with a high rate of high cost loans as a percentage of all loans made between 2004 and 2006 were determined as being in need, as determined from the Home Mortgage Disclosure Act reports;
- Areas with the highest concentration of residential addresses identified as being vacant for 90 days or longer by the United States Postal Service were determined as being in need;
- Areas with the highest rates of foreclosure from 2002-2006, as reported by foreclosure.com, were determined as being in need. These data were collected at the zip code level and the weighted average of the rates were assigned to census block groups;
- Areas with the highest concentration of Fannie Mae and Freddie Mac pre-foreclosures, foreclosures, and bankruptcies were determined as being in need. These data were collected at the zip code level and the weighted average of the rates were assigned to census block groups.

What is a Stabilization Market?

- Stabilization Markets are mostly found in the suburbs and exurbs of metropolitan regions as well as economic centers of rural communities. These markets have high homeownership rates, moderate home values, and relatively low vacancy rates.
- In many cases, the real estate market is not quite strong enough to respond to scattered but conspicuous problems and the images of the neighborhoods suffer accordingly, exaggerating the initial problem. With market-driven incentives, these neighborhoods can build off of their strengths to become stable.
- Without intervention in the real estate market in these communities, the ripple effect of seemingly isolated foreclosures will quickly result in widespread disinvestment.

What is a Revitalization Market?

- Revitalization Markets have experienced significant disinvestment. They are characterized by deteriorating housing stock, declining property values, escalating crime, and underperforming schools. Traditional market forces are not working in these areas, nor are they likely to be re-established soon.
- Therefore, the goal in these markets should be to marshal resources and to deploy comprehensive strategies in a concentrated footprint that will serve as a catalyst for additional investment. The demolition of blighted structures, the rehabilitation of housing units, and the creation of new uses such as recreational amenities, retail and employment centers can serve as a tipping point for future development by market forces.
- Local units of government from around the state have submitted comprehensive community revitalization plans to apply for these funds, and the awarded communities will be announced in late May.

Can I use Market Stabilization funds with other IHEDA products?

- The NSP funds may be used in conjunction with the IHEDA First Home product, Mortgage Credit Certificates, FHA, VA, USDA, or prime fixed rate products.
 - The *First Home* program offers qualified Hoosiers below market interest rate mortgages. This program can be used with other plans, such as the FHA/VA, Fannie Mae, or USDA Rural Development financing. You can find the current interest rate by visiting the “Homebuyers” section of IHEDA’s website, www.iheda.in.gov
 - The *Mortgage Credit Certificate* program offers first-time home buying Hoosiers a Federal tax credit. The tax credit amount ranges between 20% and 35% of the interest paid on a mortgage each year, depending on the mortgage loan amount. The maximum credit per year is \$2,000. This program is available on a limited basis when announced by IHEDA.